

STRATEGY
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PROJECT

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**WHAT ARE THE CONSEQUENCES OF CHINA'S MEMBERSHIP
INTO THE WORLD TRADE ORGANIZATION?**

BY

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What are the Consequences of China's Membership into the World Trade Organization?

by

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ABSTRACT

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Economic engagement with China is a consistent strategy supported by both the Clinton and Bush administration. While the Bush administration views China as a partner on some issues and a competitor on others, both administrations agree, economic engagement is a viable course of action to promote economic well being and global stability. The words and definition may change slightly, but the basic premise remains consistent. The U.S. must continue to support and pursue an economic engagement policy with China that promotes economic well being and global stability. Both administrations believe that China's accession, as a member of the World Trade Organization (WTO), will facilitate free trade and help promote a productive relationship with China.

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WHAT ARE THE CONSEQUENCES OF CHINA'S MEMBERSHIP INTO THE WORLD TRADE ORGANIZATION?

This paper examines the U.S. policy objectives of China becoming a member of the World Trade Organization (WTO) and the effect it will have on the U.S. economy and national security.

BACKGROUND

Economic engagement with China is a consistent strategy supported by both the Clinton and Bush administration. While the Bush administration views China as a partner on some issues and a competitor on others, both administrations agree, economic engagement is a viable course of action to promote economic well being and global stability. The words and definition may change slightly, but the basic premise remains consistent. The U.S. must continue to support and pursue an economic engagement policy with China that promotes economic well being and global stability. Both administrations believe that China's accession, as a member of the WTO, will facilitate free trade and help promote a productive relationship with China. U.S. Secretary of State, Colin Powell, stated "Trade with China is not only good economic policy; it is good national security policy."¹

According to the National Security Strategy (NSS), our regional strategy is based on the premise that a stable and prosperous East Asia and Pacific is vital to our own national security interests.² We continue to advance this vision of the Asia/Pacific by promoting democracy and human rights, advancing economic integration and rules-based trade, and enhancing security.³

The NSS indicates two distinct objectives or ends for promoting prosperity in the East Asia and Pacific region. These objectives include increasing U.S. exports to Asia/Pacific countries through market-opening measures that level the playing field for U.S. business, and concluding the WTO accession negotiations for China on satisfactory commercial terms.⁴ The strategy or ways to achieve the ends include economic reforms, trade policies, and market liberalization. The means include the WTO, Congress, and U.S. business corporations.

The ends, ways, and means are in balance to promote U.S. economic well being and global stability, provided economic and political agreements are successful in shaping China's markets for open trade and growth by U.S. business and industries. China's accession as a member of the WTO is the culminating agreement necessary for the U.S. to gain access to China's closed markets and expand free trade throughout the region.

WHY THE WTO

The WTO is the only global international organization that deals with the rules of trade between nations.⁵ It provides the institutional framework for the multilateral trading system and contributes to international peace by providing countries with a constructive and fair outlet for dealing with disputes over trade issues. It also helps create international confidence and cooperation by monitoring international trade to ensure the governments of WTO members do not create unnecessary trade barriers that hinder open market access. Through peaceful negotiations, the World Trade Organization's trading system plays a vital role in creating and reinforcing international confidence. In other words, if trade flows smoothly and both sides enjoy a healthy commercial relationship, political conflict is less likely.⁶ As President Bush said to the American Society of Newspaper Editors.... the market place promotes American values; trade encourages more freedom and individual liberties.⁷

At the heart of WTO are its agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments.⁸ Currently comprised of 142 countries it administers rules for international trade, provides a mechanism for settling disputes, and offers a forum for conducting trade negotiations, as set forth in the WTO agreements.⁹ Through these agreements, WTO members operate a non-discriminatory trading system that spells out their rights and their obligations. A fundamental principle in the WTO agreements is that members, including the U.S., must grant each other most-favored-nation status, meaning that they must grant each other trade privileges as favorable as they give to any other WTO member.¹⁰ Each country receives guarantees that its exports will be treated fairly and consistently in the other countries' market. Each promises to do the same for imports into its own markets. The goal is to help international trade flow smoothly thus help facilitate international peace.

Most-favored-nations status now called "normal trade relations," served as the central principle of international relations after World War II, which prohibited countries from establishing tariffs or quotas that rewarded some countries and punished others. The General Agreement on Tariffs and Trade (GATT), the predecessor to the WTO, extended normal trade relations to noncommunist countries to help facilitate equitable international trade. Before GATT, trade discrimination was a common practice for gaining international influence that sometimes lead to military intervention.

China currently does not have permanent normal trade relations status with the U.S. due to title IV of the Trade Act of 1974, which requires the President of the United States to deny the status to certain designated countries. However, China has been granted normal trade relations

with the U.S. on an annual basis since 1980. As China gains accession into the WTO, Congress must decide whether to grant China permanent normal trade relations status.

ACCESSION INTO THE WTO

Accession into the WTO is primarily a two-phase negotiation process. Multilateral negotiations establish the general terms of accession into the WTO, and bilateral negotiations establish specific market access conditions for goods and services. The focus of the multilateral negotiations is to ensure that China will adopt all the rules, practices, and obligations required by WTO agreements to improve its general trade regime.¹¹ The bilateral negotiations are designed to secure China's commitment to remove specific market access barriers and open its domestic market to more foreign goods and services.¹²

Over the past 15 years, China has been in negotiations to join the WTO. In 1999, the U.S. and China signed a bilateral trade agreement, which set the specific terms for China's entry into the WTO by developing one-way trade concessions that open China's markets to U.S. farmers, business, and industries. President Clinton further facilitated China's entry into the WTO by signing legislation on October 10, 2000, which granted China permanent normal trade relations. This historic decision to grant permanent normal trade relations to China is contingent upon China's accession as a member of the WTO. By a vote of 273 to 197, the House voiced its support for the economic and social reforms taking place in China, and committed to extend permanent normal trade relations status to China upon its accession to the WTO.¹³

On September 17, 2001, negotiators agreed to terms allowing China to join the WTO.¹⁴ On November 10, 2001, trade ministers from almost all the WTO's 142 members unanimously approved China's application for membership into the WTO, marking the end of 15 years of negotiations.¹⁵ Thirty days after China notifies the WTO of its acceptance of the final accession package, China legally becomes a member of the WTO. The final accession package is a consolidation of China's market access commitments to the U.S. and other WTO members, and detailed commitments on how China will reform its trading system to comply with WTO rules. All WTO members must agree that their individual concerns have been met and that outstanding issues have been resolved through multilateral and bilateral negotiations before accession is granted to China.

President Bush's statement on November 11, 2001 underscores the U.S. support of China becoming a member of the WTO. "I welcome the unanimous decisions made this week by trade ministers meeting in Doha, Qatar, to admit the People's Republic of China and Taiwan

into the WTO.¹⁶ I believe that the entry of China and Taiwan into the WTO will strengthen the global trading system and expand world economic growth.¹⁷ I am confident that China's entry into the WTO will bring other benefits to China beyond the expected economic benefits.¹⁸ WTO membership, for example, will require China to strengthen the rule of law and introduce certain civil reforms, such as the publication of rules.¹⁹ In the long run, an open, rules-based Chinese economy will be an important underpinning for Chinese democratic reforms.²⁰ China and Taiwan will officially enter the WTO as the 143rd and 144th members, respectively on January 1, 2002.²¹

China's membership into the WTO commits it to continue dropping trade barriers over the next few years and opening its markets to goods and services from other WTO members. Conversely, it also allows China to increase and pursue export opportunities with other WTO members. The major market access concessions under the U.S.-China Bilateral Agreement are:

China will reduce average tariff levels on goods of interest to the U.S. from 24% to 7%.

China will phase out all tariffs on information technology products by 2005.

China will broadly open up its services sectors, such as insurance, banking, securities, telecommunications, express mail, legal, accounting and computer related services.

China will permit U.S. companies to operate wholesale, retail, and franchised distribution networks.²²

According to NSS 2000:

The US-China Bilateral WTO agreement will reduce China's tariffs on U.S. priority agricultural products from an average of 31% to 14%. It will reduce similar tariffs on U.S. industrial products from 24.6% to 9.6%. Such agreements expand U.S. market access and bring new goods and services to these markets at lower cost.²³

The 1999 U.S. – China bilateral trade agreement imposes much more substantial concessions on China than on the U.S., which merely grants normal trade relations on a permanent basis rather than an annually renewed basis. The terms of the agreement confirms China's commitment to remove specific market access barriers and open its domestic market to more foreign goods and services. Although these negotiations were conducted bilaterally, any agreement reached between the two countries applies to all WTO members under the criteria of the normal trade relations.

Safeguards and Protections of the 1999 U.S.-China Bilateral Agreement:

Allows the United States to continue to treat China as a non-market economy in anti-dumping cases for 15 years after accession; this methodology generally results in the application of larger anti-dumping margins against Chinese imports.

Permits the United States to implement a product-specific safeguard to prevent large import surges from China; this safeguard, which allows the United States to impose restrictions on imports from China more easily than imports from other WTO members, would remain in effect for 12 years after China's WTO accession.

Allows the continuation of a safeguard mechanism to prevent textile import surges until the end of 2008; China will be the only WTO member subject to this mechanism.²⁴

China still reserves the right of exclusive trading for products such as cereals, tobacco, fuels and minerals and maintains some restriction on transportation and distribution of goods inside the country, but many of the restrictions that foreign countries have at present in China will be eliminated or considerably eased after a 3-year phased-out period. All other agreements or restrictions imposed on China other than the terms of the 1999 U.S. – China bilateral trade agreement and the terms of WTO will be phased out or arbitrated by the members of the WTO upon China's accession into the WTO.

WHY CHINA'S WTO ACCESSION MATTERS

China is the world's largest economy that is not subject to the WTO 's trade liberalizing requirements.²⁵ The decision to admit China into the WTO is in the best interest of China and the U.S. For China, accession into the WTO allows it to help write and make the rules of trade for agricultural liberalization, government procurement, investment, and labor standards. It will also further the cause of economic reform in China. For the U.S., membership into the WTO will compel China to open its economy to foreign competition, and change its current commercial laws and practices to conform to WTO rules. It will require greater transparency during China's economic reform, and judicial review of laws and regulations related to trade matters prior to implementation. It will provide predictability to an economic relationship that has occasionally suffered from uncertainties in the past. Trade disputes will be resolved through WTO adjudication procedures rather than through bilateral bargaining, which in the past has benefited China. Once China becomes a member of the WTO, China will have to negotiate all trade concessions on a multilateral basis with all of the WTO members.

First, China's commitment to liberalize the terms under which foreign firms can invest in telecommunications, distribution, and financial services creates enormous economic opportunities for U.S. businesses. It provides a level playing field for U.S. firms to compete on

an international basis. China's WTO commitments will increase the access of U.S. firms to closed markets and increase the prospect that the bilateral trade relationship remains robust.

It means considerable tariff cuts on industrial and agricultural products; tariff rate quotas, which will grow sharply each year on a number of agricultural products; quotas on automobiles, that also will grow each year, and eventually there will be no numerical limitations on automobile exports in China. In the area of distribution, which is of great interest to American companies, American companies will be able within three years to have wholly owned distribution outlets for their products in China both in wholesale and retail side. Since distribution has been one of the obstacles of penetration to the China market, that is a very important step. Other trading rights include the right to export to China whether or not you have investments presence in China on a non-discriminatory basis; China's adherence to the Information Technology Agreement – which means within 5 years China will eliminate all tariffs on information technology products. Improvements in the areas of services, insurance, banking, securities, which will mean that foreign companies, U.S. companies in particular, will have the right to have equity shares in all these areas. The elimination of export subsidies, both industrial and agricultural. The requirement that state-owned enterprises make decisions on a commercial basis rather than on a preferential basis.²⁶

Second, China's concessions will benefit many major U.S. industries. Those most likely to gain from the concessions are farmers, financial companies, and high-tech industries. China's concessions in the financial sector benefit not only U.S. banks and insurance companies, but also U.S. exporters and investors, who will be able to conduct business easier now that U.S. financial institutions can assist them and their Chinese customer. U.S. businesses will be able to make automobile loans to Chinese customers, thus improving sales. U.S. businesses will also be able to distribute their products throughout China without going through a Chinese intermediary. These concessions will be phased in over five years to give Chinese firms an opportunity to adjust to the prospect of foreign competition.

Third, China's deeper integration in the global economy may make China more of a constructive participant in global trade liberalization. Fourth, deeper global integration and domestic economic reform will allow China to continue to improve the living standard and quality of life of its 1.3 billion population, which relieves the U.S. and the rest of the WTO members of economic rescue of a failing Chinese economy. The implications of rising living standards based on an open market economy favor the long-term U.S. interest of influencing the development of a democratic political system in China.

Finally, China's entry into the WTO may lead to stronger trade and investment ties between China and Taiwan that may contribute to a gradual reduction of tensions between the two countries.²⁷ Membership of both China and Taiwan in the WTO is almost certain to end

Taiwan's long-standing ban on direct shipping and air travel between Taiwan and the mainland.²⁸ Taiwan will have to eliminate important nontariff barriers on Chinese goods, notably the import ban imposed on a large number of goods of Chinese origin.²⁹ Taiwan will ease many restrictions on investment in China that have been in place as part of "go slow, be patient" policy that the Kuomintang adopted in 1996 to govern economic relations with the mainland.³⁰ Given the strong interest of the United States in the peaceful resolution of the Taiwan straits issue, this is a very important potential benefit of China's deepening integration in the global economy.³¹

All of these developments—the opening of direct trade, the elimination of Taiwan's bans on the import of a broad range of Chinese products, and liberalization by the Taiwanese government of restrictions on the outflow of foreign direct investment to China, will contribute to closer bilateral economic relations.³² Closer bilateral economic relations between China and Taiwan may serve as a deterrent for preventing future political or military confrontations that might upset the growing economic interdependence between the two countries. The exchanges resulting from a closer economic relationship may also provide a platform of mutual trust and provide contacts for a broader cross-straits dialogue that might further reduce the tensions and anxiety that presently handicaps relations across the strait. Given the substantial role that Washington plays in relations between Taipei and Beijing, any reduction in tensions across the strait, which resulted from closer economic cooperation, would be a huge benefit to U.S. interests in the region, both political and economic.³³

China's accession into the WTO remains an important step in its move toward greater involvement on the world stage, a move that the U.S. should continue to fully support and encourage. China's entry into the WTO transcends more than just commercial benefits. It gives China a greater stake in the international trade system, and may help to influence China to cooperate more fully in international peace and global security issues. It has the potential to transform China's economy, its relations with its neighbors, and perhaps its political system to a more open society. It requires China to be accountable to an internationally agreed upon set of rules and commits them to a wide range of economic and systemic changes in order to meet the terms of the WTO agreements.

When fully implemented, China's WTO commitments could add approximately \$2 billion a year to U.S. agricultural exports. In the 1999 U.S. China bilateral accession agreement, China agreed to cut tariffs by more than half on priority U.S. agricultural products such as beef (from 45 percent to 10 percent), poultry (from 20 percent to 10 percent), cheese (from 50 percent to 12 percent), oranges (from 40 percent to 12 percent), apples (from 40 percent to 13 percent), to name a few. With WTO entry, China also agreed to end import bans, expand trading rights for U.S. firms, and eliminate agricultural export subsidies. These

agreements will allow for greater access of other products such as cotton, oilseeds, grains and corn.³⁴

ANALYSIS

China's reasons for wanting to join the WTO are:

- 1) China wants to be acknowledged as one of the world's great powers and sees its exclusion from the WTO as an obstacle to this goal.
- 2) WTO membership would further the "strategic cooperative partnership" that both the U.S. and China are interested in building, because among other factors, it would remove China from the annual review of its normal trade relations status.
- 3) China wants to be admitted to the WTO ahead of Taiwan, which is also seeking membership.
- 4) The internationalist sector of the Chinese economy has expanded considerably as China's economy has grown and market forces expanded, giving rise to increased domestic pressure for lower tariffs on foreign inputs and improved access to foreign markets.
- 5) China wants to become a WTO member while rules are still being formulated on such issues as agricultural liberalization, government procurement, investment, and labor standards, and it wants to have a role in formulating those rules.³⁵

China is by far the largest trading country that is currently not a member of the WTO. Its inclusion into the WTO is essential to the future effectiveness of the organization and the future of China being one of the world's great powers. Its accession into the WTO will open the world's most populous country, and arguably the fastest growing economy to international trade. Its final accession package to the WTO includes market access commitments that are comparable more demanding and exceed those made by any other member of the WTO. These concessions are China's attempt at addressing practices that have not only made it difficult for U.S. firms to do business in China, but have also hindered the development of China's own economy. China's leadership has realized that participation in a globalized economy requires more than just reduced tariffs. It requires the development of an open market economy. In the words of Long Yongtu, Vice- Minister of Foreign Trade and China's chief global trade negotiator, "Countries with planned economies have never participated in economic globalization. China's economy must become a market economy in order to become part of the global economic system, as well as to effectively participate in the economic globalization process."³⁶

China's quest for a market economy requires it to take considerable political and economic risk. The conditions of membership into the WTO require it to make deep and broad based economic concessions that run the risk of creating high unemployment rates. Economic areas most prone to unemployment are industry sectors facing international competition. These areas include imports, and goods and services provided by foreign invested firms in China. In addition, the protocol governing its accession requires China to abide by international standards in the protection of intellectual property and to provide a number of safeguards and protection to its trading partners that could potentially reduce the flow of Chinese goods into foreign markets.

Chinese political leaders seem to be willing to accept the stiff demands of the WTO in an attempt to continue economic growth and to continue improving the living standards of its 1.3 billion population. China views increased foreign competition as a needed stimulus essential to its domestic economic reform. Increased foreign competition puts pressure on state-owned banks and enterprises to make economic reforms or go out of business. China's commitment to open its markets to increased investments in telecommunications and distribution services offers tremendous opportunities for U.S. firms, but it also serves as an additional stimulus for domestic economic reform.

By the time of his trip to the United States in April 1999, Zhu Rongji was openly articulating the view that China's membership in the World Trade Organization could be a lever for promoting domestic economic reform. At his joint press conference with President Clinton in Washington Premier Zhu stated, "the competition arising (from WTO membership) will also promote a more rapid and healthier development of China's national economy."³⁷

It appears Premier Zhu believes China's national economy will benefit from globalized production once it obtains membership into the WTO. He recognizes having the capability to produce a wide variety of parts and components needed for automobiles, aircraft, computers and telecommunications gives China a tremendous opportunity to compete globally for the production rights and contracts of items needed throughout the world. The Chinese have come to realize that their liberal foreign investment regime and low-cost labor markets give them a wonderful opportunity to participate in cross-border production networks, and that deeper participation in global networks could provide a new and sustainable base for the continued growth and development of their domestic economy.³⁸

The two greatest risks confronting the U.S. are to ensure increased prosperity with China does not lead to regional instability, and increased Chinese prosperity does not create a peer competitor for the U.S. According to a recent study published by the United States Army War College, Strategic Studies Institute, China would incur a significant cost if it were to resort to

military conflict anywhere in the Asia-Pacific Region. It would not only suffer substantial military losses from a conflict with the U.S., but it would also jeopardize its economic ties and agreements with other countries in the region, jeopardize its economy, and damage its global reputation. Potential economic losses will probably deter China from waging war with Taiwan, Japan, and any other country that China is tied to economically. China's number one national priority of economic modernization will probably keep it from engaging in any type of conflict that might jeopardize its efforts of economic reform.

Taiwan currently has an estimated \$25 billion invested in China and a similar amount in contracted investments. Moreover, on any given day some 200,000 Taiwanese are living, working, or traveling in China. Most of these individuals are engaged in industry, in managing factories producing such diverse products as shoes, motorcycles, and information technology hardware.³⁹

The impact of a Japan or South Korea conflict would be high.

A war would negatively affect trade with these two countries. Japan is China's second largest trading partner with an estimated \$85 billion bilateral trade in 2000. South Korea meanwhile is China's third largest trading partner with approximately \$33 billion in two-way trade in 2000. Moreover, in the security sphere a war would likely push Japan to further upgrade its defense relationship with the U.S. and lead South Korea to draw closer to the U.S. militarily.⁴⁰

PREDICTION OUT TO 2010

As predicted by the Nautilus Institute, "China's future and the future of U.S.-China relations will be shaped by how it adapts to the trade and investment rules of the global economy."⁴¹ Based on the current world crisis and the uncertainty of the U.S. economy, the Nautilus Institute's scenario of "Rocky-Rosy" represents the most likely scenarios that may develop. The scenario is characterized by a slowdown in the U.S. economy, and a rocky to rosy transition to an open and free trading market by China. Research reveals China will initially have difficulty adhering to the terms of the WTO agreements, but by the end of the decade despite economic disparities, China is successful in its economic transition.

Throughout the beginning and middle of the decade (2001-2010) there is wide spread concern in the U.S. that China's transition to an open rules based trading system will be unsuccessful. The most prominent U.S. opinion believes China has neither the political will nor leadership capacity to implement the necessary restructuring for economic reform. U.S. businesses, industries, and labor groups will accuse China of not adhering to the conditions of open markets and free trade as outlined by the WTO. The most serious obstacle is China's

inconsistent compliance of agricultural trade provisions. China continues to pursue efforts to block the imports of U.S. agricultural products such as citrus, meat and poultry, wheat and other grains. According to the Bush Administration's "2001 Trade Policy Agenda and 2000 Annual Report," China's compliance of the 1999 U.S.-China Agricultural Cooperation Agreement has been inconsistent and U.S. exporters still do not have the access envisioned in the agreement.⁴² The agreement removed the bans on imports of U.S. citrus and wheat, which were not based on sound scientific principles.⁴³ The agricultural agreement requires China to apply sanitary and phytosanitary measures consistent with sound scientific principles and to accept U.S. certification of meat products.⁴⁴ The 2000 Annual Report notes a number of problems, including the implementation of new barriers to poultry imports, the imposition of other WTO inconsistent restrictions and measures designed to replace other restrictions removed in connection with bilateral agreements and the WTO accession negotiations.⁴⁵ At risk is the projected \$2 billion per year agricultural exports to China, if this trend is not turn around. WTO members through the prompting of the U.S. engage in aggressive negotiations that provide greater transparency in China's implementation of WTO trade rules. These actions assist in improving China's compliance to an open rules based training environment and facilitate the export of U.S. beef, pork, and poultry products.

In China, the central government fears economic liberalization will displace masses of peasants and lay off workers in state-owned industries, creating economic and political instability throughout China.⁴⁶ Public dissatisfaction in China created by regional inequalities will cause Chinese political leaders to slow down economic reforms thus slowing down economic growth. However, China's political leaders will continue to pursue economic reform by using a much slower and deliberate approach that results in a progressive annual growth rate. China economy will also benefit from Taiwan's membership into the WTO. Increased economic integration between Taiwan and mainland China contributes substantially to reduced cross-strait tensions.

As China struggles to implement economic reform, the U.S. economy continues to tumble into a recession, rising unemployment rates and economic uncertainty give Congress, and U.S. labor groups a strong voice for anti-free trade and anti-globalization rhetoric. Groups such as the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) blame China's liberal labor laws and cheap labor as the primary reason for the rise in the U.S. unemployment rate. To counter the economic down turn, the U.S. State Department prompted by the AFL-CIO mounts a campaign to change the rules of the WTO to have human rights and labor protection clauses added to the trading agreements of the WTO. China joins with other

developing countries to form an alliance to resist the U.S. State Department's initiative. Led by China, this new alliance opposes the inclusion of new sectors such as services, government procurement, labor and environmental standards within the free trade regime.⁴⁷ The U.S. State Department's efforts prove to be unsuccessful and the WTO remains steadfast in its decision to exclude labor protection rights and environmental provisions in the terms of trade agreements. The WTO continues to support its beliefs that labor laws and environmental protection measures have no bearing on the free flow of goods and services and that WTO agreements should not be used as a vehicle for achieving social objectives.

Although the AFL-CIO loses in its attempt to add labor laws and environmental provisions to the terms of the WTO trade agreements, corporate America and big businesses are the ultimate winner and beneficiary of the WTO's decisions. By the ruling, powerful and wealthy U.S. corporations are permitted to search the globe for cheap labor and are no longer subjected to the constant scrutiny by labor unions and environmental groups to conform to stringent labor and environmental protection laws. This is a tremendous win for U.S. big business, but a huge loss for international civil liberties and the global environment.

By mid-2006, the issue of access to Chinese markets has become one of the most pressing issues between the U.S. and China.⁴⁸ Many U.S. industries experience reduced export rates and reduced revenue due to China's reluctance to abide by the terms of the WTO. The U.S. government intervenes and files a grievance with the WTO based on a joint campaign by Motorola and Ford, which asserted that Chinese telecommunications and automobile companies are receiving unfair protection from foreign competition.⁴⁹ China loses the case and is forced by the WTO to abide by the trade agreements and to further open its markets to U.S. telecommunications and automotive companies.

By the end of the decade, the U.S. emerges from recession and both China and the U.S. find that the economic rocky road turns smoother. The Chinese economy begins to reap the rewards of a successful restructuring of its state-owned enterprises and other non-competitive sectors while benefiting from an expansion of a healthier U.S. market.⁵⁰

CONCLUSION

China's accession to the WTO has been hailed as the biggest coming-out party in the history of capitalism. Its membership will eventually contribute to higher standards of living for its citizens and increased growth for its economy and stability in the region. Its membership will also open the world's most populous country, and arguably the fastest growing economy to international trade. Congressional support of China's accession to the WTO underlies the U.S.

resolve to expand market access for U.S. businesses, and farmers to China's closed markets. China's membership into the WTO is a viable course of action for promoting economic well being and global stability. China's commitments are specific with timetables and dates for staged and full implementation. They reduce trade barriers across a broad range of goods, services, and agricultural products, and eliminate or significantly reduce restrictions on freedom to import and distribute goods within China. China's commitments are effective immediately upon it becoming a member of the WTO. The WTO's rules-based system provides the best avenue for dispute settlement and greater transparency as China implements its commitments to transition to an open market economy. If successfully implemented, China's transformation to an open economy will provide U.S. exporters and businesses access to the world's most populous country. China offers a tremendous opportunity for economic growth in the U.S., provided U.S. businesses have a level playing field. The WTO's rules-based system provides greater transparency for the U.S. to monitor China's implementation of trade concessions. China's accession as a member of the WTO will help promote U.S. prosperity and global stability, provided China follows the provisions and rules of the WTO. The reforms China is undertaking to conform to the WTO rules will provide the basis for further liberalization in China.

WORD COUNT = 6010

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